

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

City of Hope
Years Ended September 30, 2024 and 2023
With Report of Independent Auditors

Ernst & Young LLP



City of Hope

Consolidated Financial Statements and
Supplementary Information

Years Ended September 30, 2024 and 2023

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Report of Independent Auditors

The Board of Directors
City of Hope

Opinion

We have audited the consolidated financial statements of City of Hope, which comprise the consolidated statements of financial position as of September 30, 2024 and 2023, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of City of Hope at September 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (“GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Hope and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Hope’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Hope’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Hope’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating details appearing in conjunction with the consolidated financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to the prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst + Young LLP

December 20, 2024

City of Hope

Consolidated Statements of Financial Position
(In Thousands)

	September 30	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 547,294	\$ 424,966
Short-term investments	1,467,415	1,603,511
Self-insurance trust funds	3,628	4,464
Patient accounts receivable, net	646,829	529,608
Grants and other receivables	224,657	217,663
Current portion of donor-restricted unconditional promises to give, net	101,700	75,599
Prepaid and other	127,249	121,983
Due from third-party payors	—	23,403
Total current assets	<u>3,118,772</u>	<u>3,001,197</u>
Property and equipment, net	2,608,871	2,361,679
Right-of-use finance lease assets	41,523	43,207
Right-of-use operating lease assets	191,872	172,832
Other assets:		
Long-term investments	8,702	3,880
Board-designated assets	1,464,591	1,208,842
Bond trust funds	12	75,522
With donor restrictions:		
Investments	865,867	747,923
Unconditional promises to give, net	270,353	209,710
Contributions receivable from annuity and split-interest agreements, net	93,985	101,313
Other	36,831	30,021
Goodwill and other intangible assets	63,448	74,562
Interest rate swaps	8,601	12,443
Other long-term assets	98,459	78,314
Total other assets	<u>2,910,849</u>	<u>2,542,530</u>
Total assets	<u><u>\$ 8,871,887</u></u>	<u><u>\$ 8,121,445</u></u>

City of Hope

Consolidated Statements of Financial Position
(In Thousands)

	September 30	
	2024	2023
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 113,676	\$ 149,913
Other accrued liabilities	339,859	296,628
Accrued salaries, wages, and employee benefits	180,585	146,527
Long-term debt, current portion	333,565	14,560
Right-of-use finance leases, current portion	5,631	9,106
Right-of-use operating leases, current portion	24,968	22,431
Short-term borrowings	250,000	123,408
Contract liabilities	32,130	20,956
Due to third-party payors	48,905	6,939
Total current liabilities	<u>1,329,319</u>	790,468
Long-term debt, net of current portion	2,179,745	2,515,673
Right-of-use finance leases, net of current portion	36,225	41,877
Right-of-use operating leases, net of current portion	175,591	156,566
Annuity and split-interest agreement obligations	36,955	33,053
Interest rate swaps	1,896	–
Other	108,880	79,232
Total liabilities	<u>3,868,611</u>	3,616,869
Net assets:		
Without donor restrictions:		
Controlling interests	3,648,135	3,348,825
Noncontrolling interests	25,572	27,138
With donor restrictions	1,329,569	1,128,613
Total net assets	<u>5,003,276</u>	4,504,576
Total liabilities and net assets	<u>\$ 8,871,887</u>	<u>\$ 8,121,445</u>

See accompanying notes.

City of Hope

Consolidated Statement of Activities
(In Thousands)

Year Ended September 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Net patient service revenues	\$ 4,156,392	\$ –	\$ 4,156,392
Research grants, contracts, and clinical trials	276,553	–	276,553
Contributions	55,996	257,813	313,809
Investment income	217,138	36,515	253,653
Net unrealized gain on investments	342,587	53,500	396,087
Other revenue	142,103	102	142,205
Total revenues, gains, and other support	<u>5,190,769</u>	<u>347,930</u>	<u>5,538,699</u>
Net assets released from restrictions	146,974	(146,974)	–
Total revenues, gains, and other support	<u>5,337,743</u>	<u>200,956</u>	<u>5,538,699</u>
Expenses:			
Salaries, wages, and employee benefits	1,810,698	–	1,810,698
Purchased services and professional fees	736,627	–	736,627
Supplies and pharmaceuticals	1,759,696	–	1,759,696
Interest, including changes in fair value of swap agreements	141,897	–	141,897
Depreciation and amortization	217,022	–	217,022
Hospital provider fee	50,721	–	50,721
Equipment rental and maintenance	85,971	–	85,971
Occupancy	74,685	–	74,685
Insurance	15,597	–	15,597
Other expense	149,580	–	149,580
Total expenses	<u>5,042,494</u>	<u>–</u>	<u>5,042,494</u>
Changes in net assets before other changes	295,249	200,956	496,205
Contribution from noncontrolling interest	2,495	–	2,495
Changes in net assets	297,744	200,956	498,700
Net assets, beginning of year	<u>3,375,963</u>	<u>1,128,613</u>	<u>4,504,576</u>
Net assets, end of year	<u>\$ 3,673,707</u>	<u>\$ 1,329,569</u>	<u>\$ 5,003,276</u>

City of Hope

Consolidated Statement of Activities
(In Thousands)

Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Net patient service revenues	\$ 3,706,923	\$ –	\$ 3,706,923
Research grants, contracts, and clinical trials	236,317	–	236,317
Contributions	55,104	238,825	293,929
Investment income	187,589	22,423	210,012
Net unrealized gain on investments	206,154	30,932	237,086
Other revenue	113,005	–	113,005
Total revenues, gains, and other support	4,505,092	292,180	4,797,272
Net assets released from restrictions	121,209	(121,209)	–
Total revenues, gains, and other support	4,626,301	170,971	4,797,272
Expenses:			
Salaries, wages, and employee benefits	1,611,198	–	1,611,198
Purchased services and professional fees	776,361	–	776,361
Supplies and pharmaceuticals	1,475,937	–	1,475,937
Interest, including changes in fair value of swap agreements	109,054	–	109,054
Depreciation and amortization	219,437	–	219,437
Hospital provider fee	48,921	–	48,921
Equipment rental and maintenance	82,789	–	82,789
Occupancy	72,146	–	72,146
Insurance	11,185	–	11,185
Other expense	149,094	–	149,094
Total expenses	4,556,122	–	4,556,122
Changes in net assets before other changes	70,179	170,971	241,150
Distribution to noncontrolling interest	(1,272)	–	(1,272)
Contribution from noncontrolling interest	1,333	–	1,333
Changes in net assets	70,240	170,971	241,211
Net assets, beginning of year	3,305,723	957,642	4,263,365
Net assets, end of year	<u>\$ 3,375,963</u>	<u>\$ 1,128,613</u>	<u>\$ 4,504,576</u>

See accompanying notes.

City of Hope

Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended September 30	
	2024	2023
Operating activities		
Changes in net assets	\$ 498,700	\$ 241,211
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	205,876	206,294
Amortization of goodwill and other intangibles	11,146	13,143
Amortization of bond costs, discounts, and premium	2,363	(1,281)
Amortization of right-of-use operating lease assets	28,742	30,249
Distribution to noncontrolling interest	–	1,272
Contributions from noncontrolling interest	(2,495)	(1,333)
(Gain) loss on disposal of assets	(2,775)	6,202
Gain on contributed real property	(74)	–
Gain from debt extinguishment	(7,000)	–
Loss on impairment of intangibles and fixed assets	3,933	18,742
Net unrealized gain on investments	(396,087)	(237,086)
Change in value of interest rate swaps	5,737	(5,703)
Contribution proceeds restricted for endowment	(21,294)	(22,674)
Changes in assets and liabilities:		
Patient accounts receivable	(117,221)	(65,530)
Grants and other receivables	(6,994)	(43,631)
Unconditional promises to give, net	(86,744)	(92,000)
Contributions receivable from annuity and split-interest agreements, net	7,328	5,554
Other assets	(28,644)	(21,574)
Accounts payable and accrued liabilities	54,024	(61,731)
Accrued salaries, wages, and employee benefits	34,058	(4,074)
Annuity and split-interest agreement obligations	3,902	5,199
Operating lease liabilities	(33,527)	(29,872)
Other liabilities	110,148	(41,577)
Net cash provided by (used in) operating activities before net (purchases) sales of trading investments	263,102	(100,200)
Net (purchases) sales of trading investments	(21,420)	62,730
Net cash provided by (used in) operating activities	<u>241,682</u>	<u>(37,470)</u>

City of Hope

Consolidated Statements of Cash Flows (continued)

(In Thousands)

	Year Ended September 30	
	2024	2023
Investing activities		
Decrease (increase) in notes receivable	\$ 367	\$ (290)
Additions to property and equipment	(502,334)	(481,382)
Proceeds from sale of contributed real property held for sale	604	–
Purchases of alternative investments	(266,038)	(545,764)
Proceeds from sale of alternative investments	441,962	479,664
Net cash used in investing activities	<u>(325,439)</u>	<u>(547,772)</u>
Financing activities		
Proceeds from Line of Credit	194,000	175,000
Repayment of Line of Credit	(75,000)	(175,000)
Proceeds from short-term debt borrowings, net	123,025	123,408
Proceeds from long-term debt borrowings, net	648,842	1,246,667
Repayment of bridge loan	–	(650,000)
Principal payments on long-term debt	(776,560)	(7,190)
Principal payments on finance leases	(7,521)	(10,959)
Distribution to noncontrolling interest	–	(1,272)
Contributions from noncontrolling interest	2,495	1,333
Contribution proceeds restricted for endowment	21,294	22,674
Net cash provided by financing activities	<u>130,575</u>	<u>724,661</u>
Net increase in cash, cash equivalents, and restricted cash	46,818	139,419
Cash, cash equivalents, and restricted cash beginning of year	500,488	361,069
Cash, cash equivalents, and restricted cash end of year	<u>\$ 547,306</u>	<u>\$ 500,488</u>
Supplemental disclosure of cash flow information		
Interest paid (net of capitalized interest)	<u>\$ 133,497</u>	<u>\$ 103,636</u>
Supplemental disclosures of noncash activity		
Finance lease obligations	<u>\$ 4,789</u>	<u>\$ 5,750</u>
Operating lease obligations	<u>\$ 41,334</u>	<u>\$ 13,030</u>
Additions to property and equipment included in accounts payable and accrued liabilities	<u>\$ 67,080</u>	<u>\$ 114,615</u>

See accompanying notes.

City of Hope

Notes to Consolidated Financial Statements *(Dollar Amounts Expressed in Thousands)*

September 30, 2024

1. Organization

City of Hope, a California nonprofit public benefit corporation, with its principal offices located in Duarte, California, is the development organization of City of Hope National Medical Center (the “Center”), City of Hope Medical Foundation (the “Foundation”), and Beckman Research Institute of the City of Hope (the “Institute”) (collectively, the “Obligated Group”); the Translational Genomics Research Institute and its Affiliates (“TGen”); Southern California Radiation Oncology, LLC (“SCRO”); AccessHope, LLC (“AH”); Stephenson Pancreatic Cancer Research, LLC; and COH HoldCo Inc. (“HoldCo”), the parent of Cancer Treatment Centers of America entities (“CAP Entities”) (collectively, the “Affiliated Group”).

The consolidated financial statements include the Obligated Group and the Affiliated Group, to represent the consolidated City of Hope organization (collectively referred to as “City of Hope”). The following entities are included in the consolidated financial statements:

The Center is a California nonprofit public benefit corporation treating primarily cancer and other life-threatening diseases. City of Hope is the sole corporate member of the Center. The Center is licensed to operate at a capacity of 234 beds.

The Foundation is a California nonprofit public benefit corporation organized as part of a coordinated health care delivery system to provide teaching, education, and research services in support of the Center and the Institute. The Foundation also owns and operates outpatient clinic facilities that provide an extensive range of medical care and treatment. City of Hope is the sole corporate member of the Foundation. The Foundation has entered into a professional services agreement with City of Hope Medical Group (“COHMG”), an unconsolidated professional corporation. Under the terms of the professional services agreement, COHMG physicians provide exclusive patient care services and academic services, such as teaching, administration, and research, to the Foundation. Pursuant to the professional services agreement, COHMG assigns to the Foundation the right to bill and collect for professional services rendered by COHMG physicians and other professional employees, and the Foundation contracts directly with payors for the provision of patient care services. Accordingly, net patient service revenues for the Foundation include amounts for services provided by COHMG physicians on behalf of the Foundation.

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

1. Organization (continued)

The Institute is a California nonprofit public benefit corporation that owns and operates several major research facilities on or near City of Hope's main campus. The Institute conducts scientific research in support of, and in conjunction with, the patient care activities of the Center and the Foundation. City of Hope is the sole corporate member of the Institute.

TGen, located in Phoenix, Arizona, is an Arizona nonprofit public benefit corporation that translates genomic discoveries into advances in human health. TGen employs innovative advances arising from the Human Genome Project and applies them to the development of diagnostics, prognostics, and therapies for cancer, neurological disorders, diabetes, and other complex diseases. The accounts of TGen include the assets, liabilities, and results of operations of TGen Foundation and certain other controlled entities that were created to support TGen through its various functions. City of Hope is the sole corporate member of TGen.

SCRO, a California for-profit joint venture, was formed on March 30, 2018, between the Foundation and Vantage Oncology Treatment Centers, LLC ("Vantage") to manage and provide services to nine freestanding radiation therapy centers in Southern California. The Foundation owns 50.1% and Vantage owns 49.9% of SCRO. City of Hope consolidates SCRO due to the Foundation's ability to exercise control as the result of its majority voting interest.

AH, headquartered in Duarte, California, is a Delaware limited liability company that provides for or arranges for the provision of certain oncology-related consultative, advisory, and support services to employers and payors throughout the United States. City of Hope owns a majority membership interest in AH. City of Hope consolidates AH because of its ability to exercise control through its majority voting interest.

HoldCo, a nonprofit Delaware corporation of which City of Hope is the sole corporate member, consolidates the CAP Entities. HoldCo is the parent organization of the CAP Entities and supports the activities of three hospitals, located in Arizona, Georgia, and Illinois (collectively referred to as "CAP hospitals"), which provide comprehensive cancer care to patients, together with the associated physician groups and outpatient clinics. The three hospitals are licensed to operate at a capacity of 161 beds.

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of City of Hope have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include the accounts of all wholly owned affiliates and its controlled affiliates, after elimination of intercompany transactions and balances. In addition, these statements follow generally accepted accounting principles applicable to the not-for-profit industry as described in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not-for-Profit Entities*.

New Accounting Standards Adopted

In June 2016, the FASB issued Accounting Standards Update No. (“ASU”) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended by ASU 2019-10. The ASU changed the credit loss model by requiring recognition of management’s estimate of current expected credit loss on most financial assets and instruments not measured at fair value through net income. City of Hope adopted this ASU effective for the fiscal year ended September 30, 2024, with no material impact to its consolidated financial statements.

Use of Estimates

The preparation of City of Hope’s financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Principal areas requiring the use of estimates include recognition of net patient service revenues at the transaction price, including estimated settlements with third-party payors; valuation of unconditional promises to give; valuation of annuity and split-interest agreement obligations; fair value of derivatives; impairment of goodwill and other intangibles; and self-insured liabilities. Actual results could differ from those estimates and the amounts could be material to the financial statements.

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents reflect all unrestricted cash and cash equivalents that include highly liquid investments with original maturities of three months or less from the date of purchase and exclude amounts whose use is limited under contractual or donor agreements or are held in investment portfolios that are included in short-term investments and investments held for long-term purposes on the consolidated statements of financial position. Amounts within restricted cash include cash and cash equivalents held within bond trust funds and represent funds set aside based on contractual arrangements.

The reconciliation of cash and cash equivalents, and restricted cash within the consolidated statements of financial position that comprise the amount reported on the consolidated statements of cash flows as of September 30 is as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 547,294	\$ 424,966
Restricted cash in bond trust funds	12	75,522
Total cash, cash equivalents, and restricted cash	<u>\$ 547,306</u>	<u>\$ 500,488</u>

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value on the consolidated statements of financial position. These equity and debt securities are designated as trading securities since the investments are externally managed within the guidelines of City of Hope's investment policy. Fair value is established based on quoted prices from recognized security exchanges. Accordingly, the change in unrealized gains and losses on investments is reported within the consolidated statements of activities. Investment transactions are recorded on a settlement date basis.

Investment income or loss on equity and debt securities included in net assets with donor restrictions (including realized gains and losses on investments, interest, and dividends) is reported in revenues without donor restrictions, unless the income or loss is specifically restricted by the donor or by law.

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies (continued)

City of Hope accounts for its ownership interests in alternative investments, using the net asset value as a practical expedient for fair value on the consolidated statements of financial position. The changes in fair value and share of earnings of the alternative investments are included in net unrealized gain or loss on investments on the consolidated statements of activities.

City of Hope has certain equity investments where it does not have significant influence. City of Hope has elected to measure such investments at cost minus impairment under the measurement alternative as the investments in privately held companies did not have readily determinable fair values given there were no observable transactions. No impairment was recorded for the fiscal years ended September 30, 2024 or 2023.

Derivative and Hedging Instruments

City of Hope recognizes all derivatives at fair value on the consolidated statements of financial position. The derivative instruments include interest swaps.

Patient Accounts Receivable and Net Patient Service Revenues

Net patient service revenues are reported at the amount that reflects the consideration to which City of Hope expects to be entitled in exchange for providing patient care. These amounts, representing transaction price, are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of third-party payor audits or reviews. Patients and third-party payors are billed after the services are performed and/or the patient is discharged from the facility. City of Hope recognizes revenue as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by City of Hope. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to the total expected. City of Hope believes this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs necessary to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient care services and the performance obligation is measured from admission to the hospital to the point when it is no longer required to provide goods or services to the patient for that admission, which is generally at the time of discharge. Outpatient performance services are performance obligations satisfied at a point in time and revenue is recognized when services are provided, and City of Hope does not believe it is required to provide additional services to the patient.

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies (continued)

Substantially all performance obligations relate to contracts with a duration of less than one year; City of Hope has elected to continue to apply the optional exemption provided in ASC 606-10-50-14(a) and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

City of Hope has agreements with third-party payors that provide for payments to City of Hope at amounts different from established rates. Transaction prices are determined based on standard charges for goods and services provided to patients and are reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with City of Hope's charity policies, and historical experience. City of Hope determines its estimate of implicit price concessions based on historical collection experience using a portfolio approach updated for collection trends. City of Hope performs detailed reviews of historical write-offs and collections in estimating the collectability of accounts receivable. Updates to the estimation of variable consideration are performed at least quarterly based on historical collections and write-off data.

Subsequent changes to estimates of the transaction price are generally recorded as adjustments to net patient revenue in the period of the change. Net patient revenue includes estimated settlements with third-party payors in the period in which the related services are rendered and adjusted in future periods as final settlements are determined. These settlements are considered variable consideration, which are estimated and evaluated based on the terms of the payment agreements and correspondence with the payor, and historical settlement activity to ensure it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Such estimates are based on the most likely amount and adjusted as new information becomes available, or as years are settled or no longer subject to a cost report audit, review, or investigation.

Property and Equipment

Property and equipment are stated at cost when purchased or at fair market value on the contribution date in the case of a donation. When property and equipment are sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is included in other revenue or expense, respectively, on the consolidated statements of activities. The costs of maintenance, repairs, and minor replacements are charged to expense when incurred.

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies (continued)

City of Hope provides for depreciation and amortization using the straight-line method over the following estimated useful lives:

Buildings and improvements	7 to 40 years
Equipment and furniture	3 to 15 years
Software	3 to 5 years

City of Hope reviews long-lived assets for impairment when events or changes in business conditions indicate that the carrying value of the asset (asset group) may not be recoverable. Impairment is considered when the associated expected undiscounted cash flows are less than the carrying value and the assets will be written down to fair value at that time. Fair value is the present value of the associated cash flows.

Leases

City of Hope enters into right-of-use operating and finance leases primarily for buildings and equipment. For leases with terms greater than 12 months, City of Hope records the related right-of-use asset and liability at the present value of the lease payments over the contract term using a risk-free interest rate when the rate implicit in the lease is not readily determinable. City of Hope elected the practical expedient not to separate contract lease and non-lease components. Building lease agreements generally require City of Hope to pay maintenance, repairs, property taxes, and insurance costs, which are variable amounts based on actual costs incurred during each applicable lease period. Such costs are not included in the determination of right-of-use assets or liabilities. Variable lease costs also include escalating rent payments over the lease term based on changes in the consumer price index or other measures of inflation. Leasehold improvements are amortized on a straight-line basis over the term of the lease or estimated useful life, whichever is shorter. Amortization of finance leases are included within depreciation and amortization.

Most leases include one or more options to renew the lease at the end of the initial term, with renewal terms that generally extend the lease at the then-market rate of rental payments. City of Hope evaluates whether it is reasonably certain such renewal options shall be executed in evaluating the appropriate lease term for calculating the lease liability. Certain leases also include an option to buy the underlying asset at or a short time prior to the termination of the lease. All such options are at City of Hope's discretion and are evaluated at the commencement of the lease, with only those options that are reasonably certain of exercise included in the determination of the appropriate lease term. The discount rates applied for existing leases use various risk-free rates depending upon the lease term for right-of-use operating lease liabilities.

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies (continued)

Goodwill and Other Intangible Assets

Goodwill represents the excess of the consideration paid over the fair value of the net assets acquired. City of Hope has elected to amortize goodwill, under the accounting alternative, on a straight-line basis over ten years. The accumulated goodwill amortization as of September 30, 2024 and 2023, was \$50,493 and \$39,833, respectively. City of Hope performs a one-step impairment evaluation at the entity level only when an impairment indicator exists. There was no indication of impairment for goodwill as of September 30, 2024 or 2023. The following table provides a rollforward of goodwill for the fiscal years ended September 30:

	<u>2024</u>	<u>2023</u>
Balance, beginning of fiscal year	\$ 66,766	\$ 77,426
Less amortization	(10,660)	(10,660)
Balance, end of fiscal year	<u>\$ 56,106</u>	<u>\$ 66,766</u>

Intangible assets other than goodwill consist of indefinite-lived trade name of \$4,000 and definite-lived intangible assets, net of accumulated amortization, totaling \$3,341 and \$3,796 as of September 30, 2024 and 2023, respectively.

Definite-lived intangible assets are amortized on a straight-line basis over the estimated useful life of the assets. City of Hope recorded \$486 and \$2,568 of amortization expense during the fiscal years ended September 30, 2024 and 2023, respectively, which is included in depreciation and amortization on the consolidated statements of activities. Estimated amortization expense for intangible assets is approximately \$492 annually for the next five years and \$881 thereafter.

Definite-lived intangibles are subject to an impairment assessment when significant indicators of impairment exist. No impairment loss was recorded in 2024. During the fiscal year ended September 30, 2023, City of Hope recorded \$12,162 of impairment loss related to the remaining carrying value of the trade name recognized from the acquisition of the CAP Entities due to the decision to rebrand to the City of Hope name. The impairment loss is included in other expense on the consolidated statements of activities.

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies (continued)

Contract Liabilities

City of Hope defers recognition of revenue received in advance of certain performance obligations, including fundraising events, research grants, and other agreements, prior to such funds being earned. The following is a summary of contract liabilities as of September 30:

	2024	2023
Fundraising events and other activities	\$ 2,958	\$ 3,441
Donor-restricted conditional contributions	672	827
Grants revenue	28,500	16,688
Total contract liabilities	\$ 32,130	\$ 20,956

For the fiscal years ended September 30, 2024 and 2023, \$20,940 and \$13,809, respectively, was recognized in revenue from contract liabilities.

Net Assets Without Donor Restrictions

A rollforward of controlling interests and noncontrolling interests net assets without donor restrictions for the fiscal years ended September 30, 2024 and 2023, is as follows:

	Controlling Interests	Noncontrolling Interests	Total
Net assets, September 30, 2022	\$ 3,276,446	\$ 29,277	\$ 3,305,723
Changes in net assets before other changes	72,379	(2,200)	70,179
Distribution to noncontrolling interest	–	(1,272)	(1,272)
Contribution from noncontrolling interest	–	1,333	1,333
Balance as of September 30, 2023	3,348,825	27,138	3,375,963
Changes in net assets before other changes	299,310	(4,061)	295,249
Contribution from noncontrolling interest	–	2,495	2,495
Balance as of September 30, 2024	\$ 3,648,135	\$ 25,572	\$ 3,673,707

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies (continued)

Contributions

All contributions are considered without donor restrictions, unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as contributions with donor restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulated that resources be maintained in perpetuity in a true endowment.

When the donor designation is met, a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same fiscal period as the contributions are received are also reflected as net assets released from restrictions on the consolidated statements of activities.

City of Hope is the beneficiary under various wills and trust agreements of which the total realizable amount is not readily determinable at the date of gift. In the case of wills, such amounts are recognized as contributions when the will is declared valid by a probate court and the proceeds are measurable. For the fiscal years ended September 30, 2024 and 2023, valid will and trust agreement amounts that became measurable totaled \$43,173 and \$32,317, respectively, and are included in contributions on the consolidated statements of activities.

Promises to Give

City of Hope reports unconditional promises to give as contributions with donor restrictions and such contributions are recognized at fair value, which represents the net present value of expected future payments. The discount rate used is the estimated risk-free rate at the time of donation, which ranged from 1.20% to 4.96% and 0.36% to 4.61%, for the fiscal years ended September 30, 2024 and 2023, respectively. The fair value estimate includes management's consideration of City of Hope's historical experience with collections, creditworthiness, and other factors.

Changes in the allowance for uncollectible promises to give and the amortization of pledge discounts are included in contribution revenue to the extent previously recognized when collected. Subsequent changes in the collectability of promises to give are included in other expense on the consolidated statements of activities.

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies (continued)

The net unconditional promises to give reported on the consolidated statements of financial position consist of the following as of September 30:

	<u>2024</u>	<u>2023</u>
Due in one year or less	\$ 101,700	\$ 75,599
Due after one year through five years	224,873	170,935
Due after five years	109,217	76,874
Total unconditional promises to give, gross	<u>435,790</u>	323,408
Less allowance and discounts	<u>(63,737)</u>	(38,099)
Total unconditional promises to give, net	372,053	285,309
Less current	<u>(101,700)</u>	(75,599)
Total unconditional promises to give, noncurrent	<u>\$ 270,353</u>	<u>\$ 209,710</u>

Split-Interest Agreements

City of Hope receives contributions from various types of split-interest agreements, including charitable gift annuities, charitable remainder annuity trusts, and charitable remainder unitrusts. City of Hope may be named as a trustee or a co-trustee, or a financial institution may be named as the trustee. Under a charitable gift annuity arrangement, City of Hope recognizes the agreement in the period in which the contract is executed. The assets from the donor are recognized at fair value, and the liabilities designated by the donor to various beneficiaries are recognized at the present value of the estimated future payments to be distributed by City of Hope to such beneficiaries. The discount rate applied as of September 30, 2024 and 2023 was 3.8% and 4.6%, respectively. The difference between the assets and liabilities represents the amount of the contribution revenue.

Some states have laws that mandate certain requirements regarding gift annuity reserves. These laws can be based on where the nonprofit entity is located or where the gift annuity donor resides. City of Hope has state-mandated reserves above the actuarial annuity reserves in the amount of \$571 and \$599 as of September 30, 2024 and 2023, respectively. Additionally, City of Hope has voluntary reserves in the amount of \$10,553 and \$6,814 as of September 30, 2024 and 2023, respectively, that are to protect the reserve fund against unexpected market fluctuations and actuarial changes. These voluntary reserves are included in investments and net assets without donor restrictions on the consolidated statements of financial position.

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies (continued)

Under charitable trust arrangements in which City of Hope is not the trustee or is a co-trustee, City of Hope recognizes, in the period the agreement is executed, donor-restricted long-term contribution receivables and contribution revenues at the present value of the estimated future benefits to be received when the trust assets are expected to be distributed. Trust distributions are recorded as a reduction in receivables, while adjustments to the receivables to reflect amortization of the discount and changes in actuarial assumptions during the term of the trust are recorded as donor-restricted contributions on the consolidated statements of activities.

Receivables totaling \$93,985 and \$101,313 as of September 30, 2024 and 2023, respectively, are to be collected over the average remaining life of 13.8 and 14.2 years, respectively. There was no contribution revenue related to split-interest agreements recognized for the fiscal year ended September 30, 2024. For the fiscal year ended September 30, 2023, \$5,047 was recognized as contribution revenue related to split-interest agreements.

Research Grants, Contracts, and Clinical Trials Revenue

Research grants, contracts, and clinical trials revenue includes federal, state, and local jurisdiction awards and other exchange transactions. An exchange transaction is one in which there is reciprocal benefit where each party receives an approximate commensurate value. Research grants, contracts, and clinical trials revenue is recognized in the period it is earned based on when the applicable project expenses have been incurred and project milestones are achieved. Payments received in advance of related project expenses are recorded as contract liabilities on the consolidated statements of financial position.

Income Taxes

City of Hope is exempt from federal income tax under Section 501(a) as described in Section 501(c)(3) of the U.S. Internal Revenue Code. City of Hope, the Center, the Foundation, and the Institute are exempt from California state franchise and income tax under Section 23701(d) of the California Revenue and Taxation Code.

TGen is exempt from Arizona corporate income tax under Section 43-1201(A) of the Arizona Revised Statutes. The 100% wholly owned entities of TGen are single-member, limited liability companies and are considered disregarded entities for tax purposes.

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

2. Summary of Significant Accounting Policies (continued)

AH is majority owned by City of Hope and is treated as a partnership for federal and state income tax purposes until March 31, 2024. All taxable income is allocated to the partners in accordance with the respective partnership agreement. AH made a “check-the-box” election with an effective date of April 1, 2024, and will be treated as a C corporation for tax purposes.

SCRO is treated as a partnership for federal and state income tax purposes, where all taxable income is allocated to the partners in accordance with the respective partnership agreement; accordingly, federal and state taxes on income are the responsibility of the joint partners individually.

HoldCo is exempt from federal income tax under Section 501(a) as described in Section 501(c)(3) of the U.S. Internal Revenue Code. As of October 1, 2022, the Internal Revenue Service granted tax-exempt status to the CAP hospitals (Midwestern Regional Medical Center, Inc.; Southeastern Regional Medical Center, Inc.; and Western Regional Medical Center, Inc.).

ASC 740, *Income Taxes*, clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the consolidated financial statements. City of Hope has no significant uncertain tax positions or tax liability for tax benefits, interest, or penalties accrued as of September 30, 2024 or 2023.

3. Fair Value of Financial Instruments

The consolidated statements of financial position include the following financial instruments: cash and cash equivalents, patient accounts receivable, grants and other receivables, short- and long-term investments, prepaid and other, accounts payable and other accrued liabilities, estimated amounts due from/to third-party payors, interest rate swaps, and annuity and split-interest agreement obligations. City of Hope considers the carrying amounts of current assets and liabilities (except for investment securities, which are carried at fair value, as described in Note 2) on the consolidated statements of financial position to approximate the fair value of these financial instruments because of the relatively short period of time between origination of the instruments and their expected realization.

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

3. Fair Value of Financial Instruments (continued)

As defined by ASC 820, *Fair Value Measurement*, fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase consistency and comparability in fair value measurements, a fair value hierarchy was established that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets but can be corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques as identified in the tables below. Where more than one technique is noted, individual assets or liabilities were valued using one or more of the noted valuation techniques, as follows:

- (a) *Market approach*. Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- (b) *Cost approach*. Amount that would be required to replace the service capacity of an asset (replacement cost).
- (c) *Income approach*. Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing, and excess earnings models).

In determining fair value, City of Hope utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value. City of Hope incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

3. Fair Value of Financial Instruments (continued)

City of Hope’s assets and liabilities, measured at fair value on a recurring basis or at net asset value (“NAV”) as a practical expedient to fair value, aggregated by the level in the fair value hierarchy and valuation technique as of September 30 are as follows:

	Investments at Fair Value			Fair Value	Investments at NAV	Total	Valuation Technique (a, b, c)
	Level 1	Level 2	Level 3				
2024							
Investments:							
U.S. Government and agency obligations	\$ –	\$ 12,809	\$ –	\$ 12,809	\$ –	\$ 12,809	a
Corporate obligations	–	78,502	–	78,502	–	78,502	a
Asset-backed obligations	–	23,226	–	23,226	–	23,226	a
Mortgage-backed obligations	–	4,009	–	4,009	–	4,009	a
Marketable securities	799,303	–	–	799,303	–	799,303	a
Municipal obligations	–	722	–	722	–	722	a
Hedge funds, including private credit	–	–	–	–	356,729	356,729	
Equity commingled funds	–	–	–	–	1,164,980	1,164,980	
Private equity funds	–	–	–	–	780,261	780,261	
Private real assets	–	–	–	–	292,396	292,396	
Cash equivalents	336,855	–	–	336,855	–	336,855	a
Total investments	<u>1,136,158</u>	<u>119,268</u>	<u>–</u>	<u>1,255,426</u>	<u>2,594,366</u>	<u>3,849,792</u>	
Other long-term assets:							
Marketable securities	69,911	–	–	69,911	–	69,911	a
Total other long-term assets	<u>69,911</u>	<u>–</u>	<u>–</u>	<u>69,911</u>	<u>–</u>	<u>69,911</u>	
Interest rate swaps	–	8,601	–	8,601	–	8,601	c
Total investments, interest rate swaps, and other long-term assets	<u>\$ 1,206,069</u>	<u>\$ 127,869</u>	<u>\$ –</u>	<u>\$ 1,333,938</u>	<u>\$ 2,594,366</u>	<u>\$ 3,928,304</u>	
Liabilities at fair value:							
Annuity and split-interest obligations	\$ –	\$ –	\$ 36,955	\$ 36,955	\$ –	\$ 36,955	c
Interest rate swaps	–	1,896	–	1,896	–	1,896	c
Total liabilities	<u>\$ –</u>	<u>\$ 1,896</u>	<u>\$ 36,955</u>	<u>\$ 38,851</u>	<u>\$ –</u>	<u>\$ 38,851</u>	

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

3. Fair Value of Financial Instruments (continued)

	Investments at Fair Value				Investments at NAV	Total	Valuation Technique (a, b, c)
	Level 1	Level 2	Level 3	Fair Value			
2023							
Investments:							
U.S. Government and agency obligations	\$ -	\$ 23,799	\$ -	\$ 23,799	\$ -	\$ 23,799	a
Corporate obligations	-	107,709	-	107,709	-	107,709	a
Asset-backed obligations	-	26,861	-	26,861	-	26,861	a
Mortgage-backed obligations	-	2,780	-	2,780	-	2,780	a
Marketable securities	817,040	-	-	817,040	-	817,040	a
Municipal obligations	-	841	-	841	-	841	a
Hedge funds, including private credit	-	-	-	-	374,136	374,136	
Equity commingled funds	-	-	-	-	1,151,819	1,151,819	
Private equity funds	-	-	-	-	706,688	706,688	
Private real assets	-	-	-	-	270,753	270,753	
Cash equivalents	182,505	-	-	182,505	-	182,505	a
Total investments	999,545	161,990	-	1,161,535	2,503,396	3,664,931	
Other long-term assets:							
Marketable securities	51,340	-	-	51,340	-	51,340	a
Cash equivalents	589	-	-	589	-	589	a
	51,929	-	-	51,929	-	51,929	
Interest rate swaps	-	12,443	-	12,443	-	12,443	c
Total investments, interest rate swaps, and other long-term assets	\$ 1,051,474	\$ 174,433	\$ -	\$ 1,225,907	\$ 2,503,396	\$ 3,729,303	
Liabilities at fair value:							
Annuity and split-interest obligations	\$ -	\$ -	\$ 33,053	\$ 33,053	\$ -	\$ 33,053	c
Total liabilities	\$ -	\$ -	\$ 33,053	\$ 33,053	\$ -	\$ 33,053	

There were no transfers between levels in the hierarchy for the periods presented.

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

3. Fair Value of Financial Instruments (continued)

Below summarizes the Level 3 assets and liabilities activities for the periods presented:

	Assets	Liabilities
Ending balance as of September 30, 2022	\$ 612	\$ 27,854
Additions	–	14,312
Investment activity	–	665
Distributions	(612)	(1,463)
Change in fair value	–	(8,315)
Ending balance as of September 30, 2023	–	33,053
Additions	–	2,734
Investment activity	–	799
Distributions	–	(1,493)
Change in fair value	–	1,862
Ending balance as of September 30, 2024	\$ –	\$ 36,955

The following reconciles fair value amounts to the consolidated statements of financial position as of September 30:

	2024	2023
Cash and cash equivalents	\$ 547,294	\$ 424,966
Short-term investments	1,467,415	1,603,511
Self-insurance trust funds	3,628	4,464
Long-term investments	8,702	3,880
Board-designated assets	1,464,591	1,208,842
Bond trust funds	12	75,522
Donor-restricted investments	865,867	747,923
	4,357,509	4,069,108
Less investment at net asset value	(2,594,366)	(2,503,396)
Less amounts held in operating cash	(499,667)	(404,177)
Less investments measured under accounting alternative	(8,050)	–
Plus amounts in other long-term assets	69,911	51,929
Plus amounts in interest rate swaps	8,601	12,443
Investments at fair value	\$ 1,333,938	\$ 1,225,907

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

3. Fair Value of Financial Instruments (continued)

City of Hope's alternative investments consist of equity commingled funds that invest primarily in marketable securities and fund limited partnerships. Various strategies seek to achieve attractive risk-adjusted returns across public and private equity and debt securities, derivatives, private companies, venture capital, real estate, etc. These alternative investments may invest in both registered and non-registered securities in the U.S. and globally, with exposure to both emerging and developed markets.

City of Hope's hedge fund investments consist of direct and multi-manager "fund of funds" investments. Strategies include long/short equity, long/short credit, private credit, and other strategies. Investments in these funds have limited liquidity and may be subject to various lockup periods, redemption fees, and notice requirements. Open-end funds typically reserve the right to reduce or suspend redemptions (gating event) and to satisfy redemptions by making distributions in kind, under certain circumstances. Additionally, open-end funds may hold, directly or indirectly, side-pocket investments where no redemptions are permitted until such investments are liquidated or deemed realized. Redemption periods range from monthly, quarterly, or annually with notice requirements between 30 and 90 days. City of Hope also invests in closed-end limited partnerships with private equity-like terms, including fund terms of eight years or greater, and capital calls on unfunded commitments, during its investment period. These select funds include credit strategies in which City of Hope may not withdraw, sell, assign, or transfer its interests, except in certain limited circumstances subject to consent by the general partners of the funds.

City of Hope's commitments to fund limited partnerships are generally structured as drawdown funds, to which City of Hope funds future capital calls as investments are made over the investment period as established in the respective fund terms. Based upon the most recent available information, the outstanding unfunded commitments as of September 30, 2024, are as follows:

	<u>2024</u>
Private equity	\$ 461,300
Private real assets:	
Real estate	130,600
Natural resources	9,700
Private credit	49,900
Total unfunded commitments	<u>\$ 651,500</u>

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

3. Fair Value of Financial Instruments (continued)

City of Hope's private equity investments consist of closed-end limited partnerships. Strategies include buyout, venture/growth capital, debt, and secondary private equity. Fund terms are typically ten years or greater. City of Hope may not withdraw, sell, assign, or transfer its interests in these funds, except in certain very limited circumstances, subject to consent by the general partners of the funds.

City of Hope's public and private real asset investments consist of fund limited partnerships that may invest in equity and debt of commercial, industrial, and residential properties, and energy and related companies. Fund terms are typically ten years or greater and City of Hope may not withdraw or sell, assign, or transfer its interests in these funds except in certain very limited circumstances, subject to consent by the general partners of the funds.

The fair value of annuity and split-interest obligations has been determined using present value techniques based on mortality tables and discount rates that are consistent with Internal Revenue Service published rates and the American Council on Gift Annuities.

City of Hope uses interest rate swaps to manage interest rate risk associated with its floating rate debt. The valuation of these instruments is determined using the income approach using the discounted cash flow analysis on the expected cash flows of each derivative based on the contractual terms, and observable market-based inputs, including interest rate curves and implied volatilities.

Other long-term assets consist of 457(b) plans that are funded by plan participants of City of Hope.

4. Patient Accounts Receivable and Net Patient Service Revenues

Net patient service revenues for the fiscal years ended September 30 are as follows:

	<u>2024</u>	<u>2023</u>
Medicare	\$ 1,208,915	\$ 1,038,278
Medicaid	248,062	231,734
Contracted plans (including commercial, Medicare Advantage, and Medicaid managed care)	2,582,625	2,325,363
Indemnity, self-pay, and other	116,790	111,548
Net patient service revenues	<u>\$ 4,156,392</u>	<u>\$ 3,706,923</u>

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

4. Patient Accounts Receivable and Net Patient Service Revenues (continued)

City of Hope recognizes that revenues and receivables from government agencies are significant to its operations, but it does not believe there are significant credit risks associated with these government agencies. There are no significant concentrations of revenues or receivables from any payor that would subject City of Hope to any significant credit risks in the collection of patient accounts receivable.

The following table summarizes the percentages of gross accounts receivable from patients and third-party payors as of September 30:

	<u>2024</u>	<u>2023</u>
Medicare	18%	23%
Medicaid	4	5
Contracted plans (including commercial, Medicare Advantage, and Medicaid managed care)	74	69
Indemnity, self-pay, and other	4	3
	<u>100%</u>	<u>100%</u>

Patient service revenue includes retroactively determined settlements. City of Hope recorded increases to net patient service revenues totaling \$36,066 and \$50,948 for the fiscal years ended September 30, 2024 and 2023, respectively, related to prior period settlements.

Hospital Fee Programs

The state of California enacted legislation for a hospital fee program to fund certain Medicaid coverage expansions. The program charges hospitals a quality assurance fee that is used to obtain federal matching funds for Medicaid with the proceeds redistributed as supplemental payments to California hospitals that treat Medicaid patients. There were two programs under the California hospital fee program with activity for the fiscal years ended September 30, 2024 and 2023: (1) a 12-month hospital fee program covering the period from January 1, 2022 through December 31, 2022, and (2) a 24-month hospital fee program covering the periods from January 1, 2023 through December 31, 2024. City of Hope also recognized net patient service revenue and hospital provider fee expenses associated with the Hospital Assessment Program for the state of Illinois.

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

4. Patient Accounts Receivable and Net Patient Service Revenues (continued)

City of Hope recognized \$100,044 and \$115,057 in net patient service revenues related to the hospital fee programs on the consolidated statements of activities for the fiscal years ended September 30, 2024 and 2023, respectively. Additionally, City of Hope recognized \$50,720 and \$48,921 in expenses related to the hospital fee programs for the fiscal years ended September 30, 2024 and 2023, respectively, which has been reflected in hospital provider fee expense on the consolidated statements of activities.

As of September 30, 2024 and 2023, \$75,470 and \$90,875 of hospital fee programs receivable is included in grants and other receivables, respectively, and \$35,381 and \$32,360 of hospital fee programs payable is included in other accrued liabilities, respectively, on the consolidated statements of financial position.

5. Patient Charity Care

City of Hope provide care to patients who do not have the ability to pay and who meet City of Hope's criteria for financial assistance. Charity care is defined as uncompensated services provided to patients who cannot afford health care because of inadequate resources and/or who are uninsured. Certain medically necessary services provided to Medicare and Medicaid patients who are not reimbursed by the Medicaid program have been included in the estimated cost of patient charity care. City of Hope does not report charity care as net patient service revenue. The estimated cost represents the total direct and indirect cost calculated at the medical procedure level and pertains specifically to the respective charity and Medicare and Medicaid patient populations. Procedure-level cost includes the direct costs, such as labor and supplies, involved in providing the specific service, as well as an applicable allocation of departmental overhead (e.g., departmental management) and institutional overhead (e.g., administration, depreciation, and utilities).

The cost of providing charity care services during the fiscal years ended September 30, 2024 and 2023, was \$69,474 and \$54,202, respectively. See Note 16, Community Benefit Expense (Unaudited), for additional disclosure related to benefits for the broader community and support of governmental health care programs.

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

6. Property and Equipment, Net

A summary of the cost and accumulated depreciation and amortization of property and equipment as of September 30 is as follows:

	2024	2023
Land	\$ 89,944	\$ 89,927
Buildings	1,404,696	1,351,090
Leasehold improvements	273,514	219,895
Equipment and furniture	1,079,428	979,761
Software	442,663	408,033
	3,290,245	3,048,706
Accumulated depreciation and amortization	(1,662,827)	(1,502,881)
	1,627,418	1,545,825
Construction-in-progress	981,453	815,854
Total property and equipment, net	\$ 2,608,871	\$ 2,361,679

Depreciation and amortization expense on property and equipment totaled \$202,956 and \$197,288 for the fiscal years ended September 30, 2024 and 2023, respectively. For the fiscal years ended September 30, 2024 and 2023, City of Hope recorded an impairment loss of \$3,933 and \$6,580, respectively, on long-lived assets, which is included in other expense on the consolidated statements of activities. The impairment loss was recognized for the remaining carrying value with no residual value assigned for the assets deemed obsolete.

7. Liquidity and Availability

City of Hope's financial assets available for general expenditure within one year of September 30 include the following:

	2024	2023
Cash and cash equivalents	\$ 547,294	\$ 424,966
Short-term investments	1,467,415	1,603,511
Patient accounts receivable	646,829	529,608
Grants and other receivables	224,657	217,663
Board-designated assets	1,464,591	1,208,842
	\$ 4,350,786	\$ 3,984,590

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

7. Liquidity and Availability (continued)

As part of City of Hope's liquidity management plan, cash in excess of any daily requirement is invested in long-term investments. The investment portfolio contains liquid investments that can be drawn upon if necessary to meet liquidity needs. Investments limited as to use, such as self-insurance trust funds, investments held for long-term purposes, bond trust funds, and donor-restricted funds, are not included in the amounts disclosed above.

Board-designated assets include funds set aside to function as institutionally designated endowments as established by the Board of Directors for future research, program services, and capital expenditures for City of Hope. Board-designated assets can be used for liquidity purposes related to research, program services, and capital expenditures upon the approval of the Board of Directors.

City of Hope invests in alternative investments to increase the investment portfolio's diversification. Generally, these investments can be liquidated as needed by City of Hope to be available for City of Hope's general expenditures within one year of the consolidated statements of financial position. The redemption of the alternative investments may be subject to certain restrictions that do not have an impact on the liquidity profile.

Line of Credit

City of Hope maintains a \$450,000 syndicated unsecured revolving line of credit (the "Line of Credit") with certain banking institutions that expires on April 18, 2025. City of Hope draws on the Line of Credit for general operating or liquidity needs as required. The amount drawn is subject to a Secured Overnight Financing Rate ("SOFR") interest rate of one to three months plus a spread at the time of borrowing. A nonrefundable unutilized fee is incurred at a rate based on City of Hope's credit rating, which is applied to any unused commitment balance. Commitment fees of \$1,369 and \$1,459 were incurred for the fiscal years ended September 30, 2024 and 2023, respectively. As of September 30, 2023, the balance outstanding on the Line of Credit was zero. As of September 30, 2024, the outstanding Line of Credit balance was \$119,000 and is included in long-term debt on the consolidated statement of financial position. The outstanding Line of Credit of \$119,000 was subsequently refinanced under a two-year term loan (refer to Note 17, Subsequent Events, for further details).

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

7. Liquidity and Availability (continued)

Standby Letter of Credit

City of Hope maintains standby letters of credit as required by various agencies to which City of Hope and TGen are parties. City of Hope has a standby letter of credit associated with its commercial paper program as described below.

To secure its obligation under a long-term right-of-use finance lease agreement, TGen purchased an irrevocable standby letter of credit for the benefit of the lessor in the amount of up to \$25,000 and automatically reduces, without amendment, on various dates. Based on a predefined amortization schedule, the available balance for the fiscal years ended September 30, 2024 and 2023, was \$10,000 and \$15,000, respectively. The standby letter of credit is guaranteed by City of Hope, and automatically renews unless terminated by written notice. Unless terminated earlier, this letter of credit shall expire on October 1, 2025. A nonrefundable unutilized fee is incurred at a rate based on City of Hope's credit rating, which is applied to any unused commitment balance. As of September 30, 2024 and 2023, there was no outstanding balance on the standby letter of credit.

Commercial Paper Program

City of Hope has a commercial paper program that permits the issuance of up to \$250,000 in aggregate principal amount outstanding at a discount, with maturities limited to 270-day periods. City of Hope offered the initial \$125,000 in aggregate principal outstanding of taxable commercial paper notes ("CP Series A Notes"), which was issued on September 30, 2023, for the full amount. In March 2024, City of Hope offered the remaining \$125,000 in aggregate principal outstanding of taxable commercial paper notes ("CP Series B Notes"), which was issued on April 17, 2024, for the full amount. The commercial paper notes issued are backed by a standby letter of credit (CP Series A Notes) and City of Hope's self-liquidity (CP Series B Notes), which includes City of Hope's cash management and operating investment programs, to ensure the availability of funds to purchase any commercial paper that the remarketing agent is unable to remarket. The standby letter of credit expires on September 26, 2025, subject to earlier termination in accordance with its terms and may be extended upon written notice. In addition, City of Hope incurs a nonrefundable unutilized fee at a rate based on City of Hope's credit rating applied to the unused commitment balance. As of September 30, 2024 and 2023, there was no outstanding balance on the standby letter of credit. At September 30, 2024 and 2023, the balance outstanding under the commercial paper program was \$250,000 and \$125,000, respectively, which was issued at a discount (\$246,963 and \$123,408 net, respectively) with an average maturity of 83 days for both periods, at prevailing market interest rates (average of 5.33% and 5.59%, respectively).

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

8. Long-Term Debt

The following is a summary of City of Hope’s long-term debt as of September 30:

	2024	2023
City of Hope, 3.750% to 5.000% fixed rate Tax-Exempt Revenue Bonds Series 2012A, originally \$234,635, issued through the California Health Facilities Financing Authority (“CHFFA”), with varying maturities annually through November 15, 2039. Interest payable semiannually on May 15 and November 15 (Series 2012A Revenue Bonds)	\$ 173,045	\$ 180,605
City of Hope, 5.623% fixed rate Taxable Direct Obligation Notes, originally \$350,000. Interest payable semiannually on May 15 and November 15, and principal payment due in full on November 15, 2043 (Series 2013 Notes)	350,000	350,000
City of Hope, variable rate Tax-Exempt Revenue Notes Series 2017A, originally \$32,680, and Series 2017B, originally \$32,680, issued through the CHFFA. Interest payable monthly, principal payments annually beginning on November 15, 2039 through November 15, 2042 (Series 2017 Revenue Notes)	65,360	65,360
City of Hope, 4.378% fixed rate Taxable Direct Obligation Notes, originally \$300,000. Interest payable semiannually on February 15 and August 15, principal payment due in full on August 15, 2048 (Series 2018 Notes)	300,000	300,000
City of Hope, 4.000%–5.000% fixed rate Tax-Exempt Revenue Bonds Series 2019, originally \$334,905, issued through the CHFFA. Interest payable semiannually on May 15 and November 15, principal payments annually beginning on November 15, 2024 through November 15, 2049 (Series 2019 Revenue Bonds)	334,905	334,905

City of Hope

Notes to Consolidated Financial Statements (continued)
(Dollar Amounts Expressed in Thousands)

8. Long-Term Debt (continued)

	<u>2024</u>	<u>2023</u>
HoldCo, variable rate Taxable Revenue Bonds Series 2022A, originally \$650,000, issued through the Illinois Finance Authority (“IFA”). Interest due monthly and principal payment due in full on November 14, 2023 (2022 IFA Loan)	\$ –	\$ 650,000
City of Hope, 5.810%–6.340% fixed rate Taxable Direct Obligation Notes, originally \$600,000. Interest payable semiannually on May 15 and November 15, principal payment due by tranche on November 15, 2027, November 15, 2032, and November 15, 2052, under Series 2022BCDE and Series 2023A (2022 Notes)	600,000	600,000
City of Hope, variable rate Tax-exempt Revenue Bonds Series 2023A, originally \$207,900, and Taxable Revenue Bonds Series 2023B, originally \$442,100. Interest due monthly and principal payment due in full on November 15, 2053, for Series 2023A and October 15, 2024, for Series 2023B (2023 IFA Loan)	531,000	–
City of Hope, long-term variable rate line of credit. Interest due monthly and principal payment paid in full on October 15, 2024 (refer to Note 17, Subsequent Events, for further details)	119,000	–
TGen, 1.690% fixed rate convertible promissory notes, mature on October 1, 2023 (TGen Notes)	–	7,000
	2,473,310	2,487,870
Less current maturities of long-term debt	(333,565)	(14,560)
Less unamortized bond issue costs	(4,819)	(5,468)
Less unamortized discount	(5,421)	(5,712)
Plus unamortized premium	50,240	53,543
	<u>\$ 2,179,745</u>	<u>\$ 2,515,673</u>

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

8. Long-Term Debt (continued)

Long-term debt maturities as of September 30, 2024, and payments for subsequent fiscal years are as follows:

2025	\$ 333,565
2026	11,000
2027	130,565
2028	144,655
2029	12,760
Thereafter	1,840,765
	<u>\$ 2,473,310</u>

Series 2012 Revenue Bonds (Tax Exempt) – In November 2012, the CHFFA issued \$234,635 of tax-exempt fixed rate revenue bonds (Series 2012A), \$32,500 of tax-exempt variable rate revenue bonds (Series 2012B), and \$32,500 of tax-exempt variable rate revenue bonds (Series 2012C) and loaned the proceeds to City of Hope, as representative of the Obligated Group. The Series 2012A revenue bonds were issued at a premium totaling \$29,887. The Series 2012 revenue bonds are secured by a gross receivables pledge. The Series 2012B and Series 2012C bonds were subsequently refunded by the Series 2017 notes as described below.

Series 2013 Notes (Taxable) – In July 2013, City of Hope, as representative of the Obligated Group, issued \$350,000 of Series 2013 fixed rate Direct Obligation Notes. The proceeds from the Series 2013 Notes are used for the Obligated Group's capital needs in furtherance of the implementation of the Obligated Group's strategic plan. The Series 2013 Notes are secured by a gross receivables pledge.

Series 2017 Revenue Notes (Tax Exempt) – In February 2017, the CHFFA issued Series 2017A variable rate revenue notes totaling \$32,680 and Series 2017B variable rate revenue notes totaling \$32,680 and loaned the proceeds to City of Hope, as representative of the Obligated Group. City of Hope used the proceeds to refund the Series 2012B and Series 2012C revenue bonds. The Series 2017 Revenue Notes were directly purchased by a commercial bank and have the same maturity and approximate principal amortization as the refunded Series 2012B and Series 2012C revenue bonds and bear interest based on 70% of the one-month interest rate (SOFR plus a spread). The Series 2017 Revenue Notes are secured by a gross receivables pledge. The variable interest rates ranged from 4.13% to 4.72% for the fiscal year ended September 30, 2024, and 2.79% to 4.40% for the fiscal year ended September 30, 2023.

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

8. Long-Term Debt (continued)

Series 2018 Notes (Taxable) – In May 2018, City of Hope, as representative of the Obligated Group, issued \$300,000 of fixed rate Series 2018 Notes. The proceeds from the Series 2018 Notes are used for the Obligated Group’s capital needs in furtherance of the implementation of the Obligated Group’s strategic plan, including geographic expansion, addressing patient capacity, informatics, developing precision medicine, and funding research to support the development of innovative treatments. The Series 2018 Notes are secured by a gross receivables pledge.

Series 2019 Revenue Bonds (Tax Exempt) – In July 2019, the CHFFA issued \$334,905 of fixed rate tax-exempt Series 2019 Revenue Bonds and loaned the proceeds to City of Hope, as representative of the Obligated Group. The proceeds from the Series 2019 Revenue Bonds are being used for the construction and equipping of an outpatient clinic; a parking structure to support the outpatient clinic and balance parking requirements across the campus; and the construction of a building that will provide accommodations for patients, family members, and guests. The Series 2019 Revenue Bonds were issued at a premium totaling \$49,624 and are secured by a gross receivables pledge.

2022 IFA Loan (Taxable) – On November 15, 2022, the IFA issued a \$650,000 taxable bond at par under Series 2022A Bonds and loaned the proceeds to HoldCo. The proceeds of the 2022 IFA Loan were used by HoldCo to prepay in full its obligations under a bridge loan previously entered in January 2022 to finance the purchase of the CAP Entities and provide working capital and general corporate purposes. The 2022 IFA Loan was guaranteed by the Obligated Group and was secured by an obligation issued under the Obligated Group’s Master Trust Indenture, as amended. The variable interest rates (SOFR plus a spread) ranged from 4.68% to 6.22% for fiscal year ended September 30, 2023. Prior to its maturity date (November 14, 2023), the 2022 IFA Loan was refinanced by the 2023 IFA Loan as described below.

2022 Notes (Taxable) – In December 2022, City of Hope, as representative of the Obligated Group, issued \$600,000 of fixed rate Direct Obligation Notes at par under a note purchase agreement (“2022 Notes”). A portion of the 2022 Notes totaling \$525,000 was purchased on December 15, 2022, and will mature in tranches in the following amounts and dates: \$57,500 on November 15, 2027 (Series 2022B), \$175,000 on November 15, 2032 (Series 2022C), and \$292,500 on November 15, 2052 (Series 2022D and 2022E). The remaining portion of the 2022 Notes totaling \$75,000 was purchased on January 18, 2023, and will mature on November 15, 2027 (Series 2023A). The 2022 Notes were issued and secured as obligations under the Obligated Group’s Master Trust Indenture. The proceeds of the 2022 Notes will be used for general corporate purposes.

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

8. Long-Term Debt (continued)

2023 IFA Loan (Tax-Exempt/Taxable) – On October 17, 2023, the IFA issued \$207,900 of tax-exempt revenue bonds (“Series 2023A”) maturing on November 15, 2053, and \$442,100 taxable revenue bonds (“Series 2023B”) maturing on October 15, 2024, and the proceeds were loaned to City of Hope, as representative of the Obligated Group. City of Hope used the proceeds from the 2023 IFA Loan to refinance the 2022 IFA Loan. On February 5, 2024, City of Hope made a partial redemption of \$119,000 of the Series 2023B at a price of par plus accrued unpaid interest without premium. The variable interest rates (SOFR plus a spread) ranged from 5.82% to 6.40% for fiscal year ended September 30, 2024. As of September 30, 2024, the balance outstanding was \$531,000. The \$323,100 principal balance and related accrued interest due under the Series 2023B was paid in full at its October 15, 2024 maturity date (refer to Note 17, Subsequent Events, for further details).

Interest Rate Swap Transactions – The Obligated Group entered into two interest rate swap agreements, with a notional amount of \$65,000, to synthetically convert the Series 2012B and Series 2012C Revenue Bonds from a variable rate to a fixed rate of 2.715% and 2.720%, respectively. The Obligated Group receives a floating rate tied to the interest rate (SOFR). The Series 2012B and Series 2012C Revenue Bonds were subsequently refunded by Series 2017 Revenue Notes; however, the related swap transactions remain in place as a hedge against the variable interest rate payments on the 2017 Bonds.

In February 2020, City of Hope entered into two forward-starting interest rate swap agreements with each having a notional amount of \$71,355 (total \$142,710) that became effective on November 15, 2022. These swaps were entered into in anticipation of a current refunding of a portion of the Series 2012A Bonds. The Obligated Group will receive a variable rate of 70% of the federal funds rate and will pay a fixed rate of 0.8785% and 0.8805%, respectively, to its swap counterparties. City of Hope and its counterparty terminated one of the two swap agreements on November 16, 2022, which resulted in positive cash flow to City of Hope in the amount of \$8,181 for the fiscal year ended September 30, 2023.

City of Hope entered into a five-year interest rate swap agreement with a notional amount of \$207,900 that became effective on October 17, 2023. The swap was entered into in conjunction with the Series 2023A bond. City of Hope will receive a fixed rate of 6.85% and will pay a variable rate (Securities Industry and Financial Markets Municipal Swap Index, or SIFMA, plus a spread) to its swap counterparty.

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

8. Long-Term Debt (continued)

For the fiscal years ended September 30, 2024 and 2023, the change in the fair value of the interest rate swaps resulted in an unrealized loss of \$5,737 and an unrealized gain of \$5,703, respectively. The swaps were not designated as cash flow hedges, so the changes in fair value are recorded within interest expense on the consolidated statements of activities. The effect of the counterparty payments and receipts for the swaps was a net benefit of \$6,097 and \$1,449 for the fiscal years ended September 30, 2024 and 2023, respectively.

Financial Covenants –The Obligated Group was in compliance with its financial covenants for the respective issued debt obligations as of September 30, 2024 and 2023. TGen was in compliance with its financial covenants related to its TGen Notes and its right-of-use finance lease liability as of September 30, 2024 and 2023.

Interest and Capitalized Interest

Total interest cost incurred on all financing vehicles (including changes in fair value of interest rate swap agreements) totaled \$148,261 and \$126,994 in 2024 and 2023, respectively. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Capitalization of interest ceases when construction is complete and the asset is ready for its intended use.

For the fiscal years ended September 30, 2024 and 2023, capitalized interest income of \$1,128 and \$3,539, respectively, was earned on the 2019 bonds. Capitalized interest expense incurred during the same fiscal years was \$12,101 and \$12,237, respectively.

9. Endowment

Endowment funds are restricted to investments that are to be held in perpetuity to provide a permanent source of income. City of Hope’s endowment as of September 30, 2024 consists of 144 individual funds established for a variety of purposes. The endowments include both donor-restricted “true” endowment funds, which are classified as net assets with donor restrictions, and funds designated by the Board of Directors to function as an endowment, which are classified as net assets without donor restrictions. City of Hope’s endowment is invested in an investment pool.

City of Hope

Notes to Consolidated Financial Statements (continued)
(Dollar Amounts Expressed in Thousands)

9. Endowment (continued)

Below details the changes in endowment net assets for the fiscal years ended September 30:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, September 30, 2022	\$ 1,050,182	\$ 340,137	\$ 1,390,319
Investment income	14,153	4,323	18,476
Net appreciation	145,391	39,037	184,428
Contributions	–	37,600	37,600
Appropriation for expenditures	(884)	(13,975)	(14,859)
Endowment net assets, September 30, 2023	1,208,842	407,122	1,615,964
Investment income	17,571	4,738	22,309
Net appreciation	238,963	66,199	305,162
Change in donor designation	–	674	674
Contributions	–	21,847	21,847
Appropriation for expenditures	(785)	(10,852)	(11,637)
Endowment net assets, September 30, 2024	\$ 1,464,591	\$ 489,728	\$ 1,954,319

From time to time, the fair value of assets associated with individual donor-restricted true endowment funds may fall below the level that the donor or UPMIFA requires to be retained as a fund of perpetual duration. Deficiencies of this nature are reported in donor-restricted true endowment net assets. As of September 30, 2024, there were no deficient funds. As of September 30, 2023, 15 funds were deficient with an original gift value of \$12,824 and a deficiency of \$215.

City of Hope follows the guidance outlined in the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) and classifies donor-restricted true endowment funds to include (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is the accumulated appreciation on donor-restricted true endowment funds, which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA, and any deficiencies associated with investments where the value of the fund has fallen below the original value of the gift.

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

9. Endowment (continued)

City of Hope considers the following factors when appropriating or accumulating donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and appreciation of investments
- Other resources of City of Hope
- The investment policies of City of Hope

City of Hope has investment and spending policies designed to achieve a long-term rate of return intended to produce results that exceed the respective benchmark while assuming a moderate level of investment risk. To satisfy its long-term objectives, City of Hope relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). City of Hope targets a diversified asset allocation to achieve its long-term return objections within prudent risk constraints.

10. Net Assets With Donor Restrictions

Net assets with donor restrictions are available to fund the following purposes as of September 30:

	<u>2024</u>	<u>2023</u>
Time restricted under annuity and split-interest obligations and other	\$ 541,234	\$ 409,434
Patient care	65,577	51,533
Education	43,144	35,546
Research	669,681	621,465
Medical equipment and buildings	9,933	10,635
Total net assets with donor restrictions	<u>\$ 1,329,569</u>	<u>\$ 1,128,613</u>

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

10. Net Assets With Donor Restrictions (continued)

Net assets were released from donor restrictions by satisfying the following restricted purposes in the fiscal years ended September 30:

	2024	2023
Time restricted under annuity and split-interest obligations and other	\$ 9,307	\$ 12,692
Patient care	9,141	9,102
Education	2,177	3,165
Research	106,342	82,753
Equipment and buildings	20,007	13,497
Total donor-restricted net assets released from restrictions	\$ 146,974	\$ 121,209

11. Functional Classification of Expenses

City of Hope's primary program services consist of patient care, research, public information, and education. Expenses in general support of the program services of City of Hope are considered support services and include administrative and fundraising activities. Natural expenses that are attributable to more than one functional expense category are allocated using a variety of cost allocation methodologies, including headcount, square footage, and time and effort. The expenses reported on the consolidated statements of activities supported the following programs and functions for the fiscal years ended September 30:

	Patient Care	Research	Public Information and Education	Administrative	Fundraising	Total
2024						
Salaries, wages, and employee benefits	\$ 986,049	\$ 377,945	\$ 19,135	\$ 403,607	\$ 23,962	\$ 1,810,698
Purchased services and professional fees	344,646	127,492	11,665	236,301	16,523	736,627
Supplies and pharmaceuticals	1,620,188	99,391	1,197	29,741	9,179	1,759,696
Interest, including changes in fair value of swap agreements	65,989	19,302	915	55,691	-	141,897
Depreciation and amortization	113,354	44,553	1,455	57,440	220	217,022
Hospital provider fee	50,721	-	-	-	-	50,721
Equipment rental and maintenance	31,116	17,587	8,708	28,170	390	85,971
Occupancy	20,786	16,673	4,904	28,318	4,004	74,685
Insurance	5,866	2,509	1,632	5,494	96	15,597
Other expense	44,429	41,733	13,201	48,516	1,701	149,580
Total expenses	\$ 3,283,144	\$ 747,185	\$ 62,812	\$ 893,278	\$ 56,075	\$ 5,042,494

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

11. Functional Classification of Expenses (continued)

	Public Information					Total
	Patient Care	Research	and Education	Administrative	Fundraising	
2023						
Salaries, wages, and employee benefits	\$ 856,161	\$ 341,624	\$ 16,899	\$ 374,279	\$ 22,235	\$ 1,611,198
Purchased services and professional fees	345,581	148,464	15,339	252,831	14,146	776,361
Supplies and pharmaceuticals	1,351,085	92,147	1,133	27,230	4,342	1,475,937
Interest, including changes in fair value of swap agreements	76,620	16,811	1,126	14,497	–	109,054
Depreciation and amortization	115,375	46,691	1,508	55,599	264	219,437
Hospital provider fee	48,921	–	–	–	–	48,921
Equipment rental and maintenance	30,589	16,555	6,675	28,601	369	82,789
Occupancy	19,482	16,023	3,576	29,071	3,994	72,146
Insurance	4,317	1,898	933	3,975	62	11,185
Other expense	48,296	36,850	11,170	50,300	2,478	149,094
Total expenses	<u>\$ 2,896,427</u>	<u>\$ 717,063</u>	<u>\$ 58,359</u>	<u>\$ 836,383</u>	<u>\$ 47,890</u>	<u>\$ 4,556,122</u>

12. Retirement Plans

City of Hope, the Center, the Foundation, the Institute, and AH (through December 31, 2023) participate in the City of Hope Defined Contribution Plan (the “Plan”). The Plan was established to provide benefits to eligible employees as defined in the Plan. Depending on years of service and salary, contributions range between 2% and 10% of qualified compensation for eligible participants and are subject to the Plan’s vesting provisions. The employer contribution is subject to Internal Revenue Code limitations.

The Center and the Institute participate in the City of Hope Research Staff Organization (“RSO”) Tax Deferred Annuity Plan, which was established to provide benefits to eligible members of City of Hope RSO as defined in the plan document. Participants receive employer contributions of 15% based on eligible salary. Further, the subsidiaries (TGen, SCRO, CAP Entities, and AH effective January 1, 2024) have their respective defined contribution plans provided to eligible employees with matching contributions subject to certain eligibility criteria.

Contribution expense for the plans defined totaled \$56,930 and \$49,942 for the fiscal years ended September 30, 2024 and 2023, respectively.

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

13. Insurance Programs

Workers' Compensation Program

City of Hope, the Center, the Foundation, and the Institute have elected to self-insure their workers' compensation liability in the state of California. In California, reinsurance has been obtained for the self-insured program to cover claims that exceed \$250 between 1991 and 2002, \$500 in 2003, and \$1,000 per individual claim beginning in 2004. All other states, including the CAP Entities, are fully insured with a \$1,000 deductible per individual claim for the fiscal years ended September 30, 2024 and 2023.

An estimated total liability of \$34,303 and \$26,179 has been recorded as of September 30, 2024 and 2023, respectively. The estimated current portion of the liability, totaling \$6,131 and \$5,153 as of September 30, 2024 and 2023, respectively, is included in accrued salaries, wages, and employee benefits on the consolidated statements of financial position and the estimated long-term portion of the liability, totaling \$28,172 and \$21,026 as of September 30, 2024 and 2023, respectively, is included in other long-term liabilities on the consolidated statements of financial position.

Accruals for uninsured claims and claims incurred but not reported are estimated by an actuary based on prior claims experience. The estimated liability was recorded using a 4% and 5% discount factor as of September 30, 2024 and 2023, respectively. The basis of the discount rate is the risk-free rate of return and the estimated period over which claims will be settled. The accruals represent the total actuarially determined loss without reduction for the portion that is expected to be recoverable through insurance (\$8,732 and \$5,259 as of September 30, 2024 and 2023, respectively, reflected within other assets on the consolidated statements of financial position). Workers' compensation expense totaled \$13,985 and \$9,342 for the fiscal years ended September 30, 2024 and 2023, respectively.

Professional Liability Insurance

Effective February 1, 2024 through January 31, 2025, the professional liability insurance was consolidated into one policy covering all entities except SCRO. The policy has a \$40,000 limit and \$1,000 per individual claim deductible for all states.

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

13. Insurance Programs (continued)

Prior to February 1, 2024, the Center, the Foundation, and the Institute maintained professional liability insurance under a claims-made program, which provided coverage for claims arising out of incidents that occurred from November 1, 1997 to September 30, 2023, with limits of up to \$50,000 with a deductible of \$100 through June 30, 2014, and \$250 between July 1, 2014 and January 31, 2024.

The CAP Entities maintain health care professional liability insurance that provides coverage for claims that occurred from February 1, 2022 through February 1, 2023, with limits of up to \$40,000 and a deductible of \$1,000 in Arizona and Georgia and \$2,000 in Illinois for each claim. From February 1, 2023 through January 31, 2024, the deductible is \$2,000 in Arizona and \$5,000 in Georgia and Illinois.

SCRO maintains health care professional liability insurance that provides coverage for claims arising that occurred from March 30, 2018 through March 30, 2025, with limits of up to \$10,000 per occurrence and a deductible of \$10 for each claim.

Accruals for uninsured claims and claims incurred but not reported are estimated by an actuary based on prior claims experience. An estimated total liability of \$8,814 and \$3,307 as of September 30, 2024 and 2023, respectively, is included within other accrued liabilities as well as other long-term liabilities on the consolidated statements of financial position. Such accruals were recorded using a 4% and 5% discount factor as of September 30, 2024 and 2023, respectively. The basis of the discount rate is the risk-free rate of return and the estimated period over which claims will be settled. The accruals represent the total actuarially determined loss without reduction for the portion that is expected to be recoverable through insurance (\$1,746 and \$616 at September 30, 2024 and 2023, respectively), which are included in other assets on the consolidated statements of financial position. The professional liability insurance expense included in other expense on the consolidated statements of activities amounted to \$6,694 and \$3,868 for the fiscal years ended September 30, 2024 and 2023, respectively.

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

14. Leases

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the fiscal years ended September 30:

	2024	2023
Right-of-use operating:		
Operating lease expense	\$ 29,002	\$ 30,403
Variable lease expense	1,143	2,198
Short-term lease expense	3,389	1,131
Sublease income	(93)	(209)
Right-of-use finance:		
Amortization of leased assets	2,920	8,895
Interest on lease liabilities	1,863	1,986
Total lease expense	\$ 38,224	\$ 44,404

The weighted average lease term and discount rate are as follows as of September 30:

	2024	2023
Right-of-use operating leases remaining lease term	17.0 years	18.5 years
Right-of-use finance leases remaining lease term	10.7 years	10.4 years
Right-of-use operating leases discount rate	2.6%	2.0%
Right-of-use finance leases discount rate	4.3%	3.8%

Cash paid for amounts included in the measurement of lease liabilities for the fiscal years ended September 30 is as follows:

	2024	2023
Operating cash flows for operating leases	\$ 33,527	\$ 29,872
Operating cash flows for finance leases	1,863	1,986
Financing cash flows for finance leases	7,521	10,959

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

14. Leases (continued)

The following table summarizes the maturity of right-of-use lease liabilities under operating and finance leases for subsequent fiscal years as of September 30, 2024:

	Operating	Financing
2025	\$ 30,083	\$ 7,381
2026	23,836	6,840
2027	25,030	6,228
2028	23,034	5,565
2029	20,775	4,883
Thereafter	124,230	20,154
Total lease payments	246,988	51,051
Less interest	(46,429)	(9,195)
Total lease liabilities	200,559	41,856
Less current portion, lease liabilities	(24,968)	(5,631)
Long-term portion, lease liabilities	\$ 175,591	\$ 36,225

Right-of-Use Finance Lease Obligations – City of Hope has entered into various right-of-use finance lease agreements for equipment and program and administrative facilities. Finance lease obligations are capitalized using the rate implicit in the lease agreement if the rate is readily determinable. Otherwise, City of Hope uses the risk-free rate available on the commencement date of the lease.

15. Commitments and Contingencies

Medicare and Medicaid Laws and Regulations

City of Hope is reimbursed for services provided to patients under certain programs administered by governmental agencies. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future governmental review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. City of Hope believes it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations by government agencies or payors involving allegations of potential wrongdoing that may have a material impact on the consolidated financial statements.

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

15. Commitments and Contingencies (continued)

Collective Bargaining Agreements

City of Hope is subject to nine collective bargaining agreements related to certain members of its labor force. On a consolidated basis, approximately 35% of employees are covered under collective bargaining agreements as of September 30, 2024. Two of the nine agreements will expire in the following fiscal year and shall be renegotiated prior to expiration.

Litigation and Administrative Actions

From time to time, City of Hope is subject to claims arising in the ordinary course of business. In addition, City of Hope is a defendant in a workers' compensation matter in which a finding was issued that the claimant's injury arose out of and in the course of her employment at City of Hope and other unaffiliated medical centers at which she was employed. City of Hope is seeking reconsideration of the finding and the allocation of compensability among the claimant's employers is undecided; accordingly, an estimate of any potential loss to City of Hope resulting from this matter cannot be made at this time. City of Hope maintains insurance, including coverage for workers' compensation matters, subject to certain deductibles and policy limitations, in an amount City of Hope believes to be appropriate. In the opinion of management, the ultimate resolution of legal proceedings and other claims currently pending will not have a material adverse effect on the consolidated financial position, statements of activities, or cash flows of City of Hope.

Additionally, City of Hope identified inaccurate processes related to filling certain prescriptions, which has resulted in the potential receipt by City of Hope and third-party pharmacies of erroneous payments. City of Hope has made disclosures and necessary refunds to certain identified affected parties while it continues to evaluate whether other parties are affected. An estimate of any potential loss to City of Hope resulting from these erroneous payments potentially received by third-party pharmacies cannot be made at this time.

Health Care Regulations

City of Hope is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, licensure, accreditation, governmental health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Federal laws prohibit submission of claims for reimbursement to the Medicare and Medicaid programs for services not rendered in accordance with applicable rules, laws, and regulations. Any overpayments received must be refunded to the

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

15. Commitments and Contingencies (continued)

government payor. Violation of these laws can result in substantial civil and criminal penalties and fines, including treble damages plus mandatory penalties of up to \$11 per claim, as well as possible debarment from future participation in government health care programs. City of Hope regularly reviews its claim processes to identify and correct issues. In the course of conducting such reviews, City of Hope may identify overpayments and refund those payments in accordance with Medicare and Medicaid requirements. While no material regulatory inquiries about past or present conduct have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Cybersecurity Incident

In mid-October 2023, City of Hope became aware of suspicious activity on a subset of its information technology systems and immediately instituted mitigation measures to minimize any disruption to its operations. City of Hope launched an investigation into the nature and scope of the incident with the assistance of a leading cybersecurity firm, which determined that an unauthorized third party accessed a subset of its systems and obtained copies of some files between September 19, 2023 and October 12, 2023. City of Hope undertook a detailed review of the files to determine the incident's scope and notified impacted data subjects as required by applicable law. To date, City of Hope has received notice of the filing of multiple class action lawsuits relating to the unauthorized copying of such files. The investigation into the attack by the U.S. Department of Health and Human Services Office for Civil Rights has now been closed without action. City of Hope maintains insurance, including coverage for cyberattacks, subject to certain deductibles and policy limitations, in an amount that management expects will exceed the projected cost of the incident. City of Hope has obtained recoveries from its insurers for certain incident-related costs and expects to recover additional amounts in the future. However, the total costs and related impacts of this incident, including the extent to which these costs will be offset by City of Hope's cyber insurance, has not been determined and City of Hope is unable to determine whether the incident will have a material effect on City of Hope's future consolidated financial condition and results of operations.

Capital Commitments (Unaudited)

As of September 30, 2024, City of Hope has committed to spend \$207,803 through 2025 and beyond for building renovations, multiple campus facility renovations, and various information technology projects.

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

16. Community Benefit Expense (Unaudited)

City of Hope supports a variety of programs and services that provide a direct benefit to its patients, as well as to the broader community. The primary categories of community benefit are as follows:

- Benefits for the broader community – clinical research
- Benefits for the broader community – support of basic science research

City of Hope supports a variety of clinical and basic science research activities focused on finding cures and treatments for cancer and other life-threatening diseases and the development of diagnostics for which research grants, contracts, and clinical trial funding are not available.

The cost of these institutionally funded research efforts is considered a benefit to the broader community. In addition, the cost of providing public information and education is also considered a community benefit.

The Center, the Foundation, and the CAP Entities accept all patients who are covered by government subsidized programs – primarily Medicaid and Medicare fee for service, and who meet certain clinical criteria. These programs typically remit payments substantially less than charges and below the cost of providing the services. The Center, the Foundation, and the CAP Entities have estimated the costs of treating patients less payments received for these costs. The residual amount of costs in excess of payments has been included as a component of community benefit.

City of Hope

Notes to Consolidated Financial Statements (continued) (Dollar Amounts Expressed in Thousands)

16. Community Benefit Expense (Unaudited) (continued)

The following is a summary of the estimated benefits for the broader community through internally funded research support and support of governmental health care programs (Medicaid and Medicare) for the fiscal years ended September 30:

	2024	2023
Benefits for the Broader Community – Support for Research (unaudited)		
Estimated institutionally supported research costs, net of grants received of \$276,553 and \$236,317 in 2024 and 2023, respectively	\$ 377,551	\$ 391,862
Support of Governmental Health Care Programs (unaudited)		
Estimated unreimbursed cost of the Medicaid Program, less net impact of the hospital fee program of \$49,324 and \$66,136 in 2024 and 2023, respectively	25,986	16,723
Estimated unreimbursed cost of the Medicare Program	353,018	350,092
	379,004	366,815
Total estimated benefits for the broader community and unreimbursed costs to governmental health care programs	\$ 756,555	\$ 758,677

17. Subsequent Events

City of Hope has evaluated subsequent events and disclosed all material events through December 20, 2024, which is the date these consolidated financial statements were issued.

In October 2024, City of Hope entered into a \$442,100 two-year term loan agreement at a fixed interest rate of 5.61% due monthly with the principal payment due in full on October 8, 2026 (“2024 Term Loan”). The proceeds from the 2024 Term Loan were used to refinance \$119,000 drawn from the Line of Credit and reimburse other capital expenditures related to the Orange County, California campus.

City of Hope paid the outstanding balance totaling \$323,100 and related interest due under the Series 2023B bonds upon the maturity date, October 15, 2024, from its general operating funds.

City of Hope

Notes to Consolidated Financial Statements (continued)

(Dollar Amounts Expressed in Thousands)

17. Subsequent Events (continued)

On December 13, 2024, COH Property Holdings OC, LLC, a wholly owned subsidiary of City of Hope, acquired an office building, land and related improvements on City of Hope's Orange County, California campus. The acquisition included the assumption of existing leases as the lessor for portions of the building. The transaction price of \$88,500 was paid in \$45,000 cash consideration (which was funded by a net asset transfer from City of Hope to COH Property Holdings OC, LLC) and a \$43,500 two-year note from COH Property Holdings OC, LLC at a fixed interest rate of 5%, maturing on December 13, 2026, secured by a deed of trust.

Supplementary Information

City of Hope

Consolidating Statements of Financial Position (In Thousands)

September 30, 2024 and 2023

	Obligated Group	Affiliated Group	Eliminating Entries	Consolidated 2024	Consolidated 2023
Assets					
Current assets:					
Cash and cash equivalents	\$ 463,829	\$ 83,465	\$ –	\$ 547,294	\$ 424,966
Short-term investments	1,443,843	23,572	–	1,467,415	1,603,511
Self-insurance trust funds	3,628	–	–	3,628	4,464
Patient accounts receivable, net	533,957	112,872	–	646,829	529,608
Grants and other receivables	174,418	50,239	–	224,657	217,663
Current portion of donor-restricted unconditional promises to give, net	94,191	7,509	–	101,700	75,599
Prepaid and other	80,073	47,176	–	127,249	121,983
Due from third-party payors	–	–	–	–	23,403
Due from affiliates	960,471	33,431	(993,902)	–	–
Total current assets	<u>3,754,410</u>	<u>358,264</u>	<u>(993,902)</u>	<u>3,118,772</u>	<u>3,001,197</u>
Property and equipment, net	2,289,158	319,713	–	2,608,871	2,361,679
Right-of-use finance lease assets	5,771	35,752	–	41,523	43,207
Right-of-use operating lease assets	176,510	15,362	–	191,872	172,832
Other assets:					
Long-term investments	4,939	3,763	–	8,702	3,880
Board-designated assets	1,464,591	–	–	1,464,591	1,208,842
Bond trust funds	12	–	–	12	75,522
With donor restrictions:					
Investments	848,477	17,390	–	865,867	747,923
Unconditional promises to give, net	265,122	5,231	–	270,353	209,710
Contributions receivable from annuity and split-interest agreements, net	93,985	–	–	93,985	101,313
Other	36,769	62	–	36,831	30,021
Goodwill and other intangible assets	32,480	30,968	–	63,448	74,562
Interest rate swaps	8,601	–	–	8,601	12,443
Other long-term assets	272,638	3,134	(177,313)	98,459	78,314
Total other assets	<u>3,027,614</u>	<u>60,548</u>	<u>(177,313)</u>	<u>2,910,849</u>	<u>2,542,530</u>
Total assets	<u>\$ 9,253,463</u>	<u>\$ 789,639</u>	<u>\$ (1,171,215)</u>	<u>\$ 8,871,887</u>	<u>\$ 8,121,445</u>

City of Hope

Consolidating Statements of Financial Position (continued)
(In Thousands)

	Obligated Group	Affiliated Group	Eliminating Entries	Consolidated 2024	Consolidated 2023
Liabilities and net assets					
Current liabilities:					
Accounts payable	\$ 78,825	\$ 34,851	\$ –	\$ 113,676	\$ 149,913
Other accrued liabilities	285,891	53,968	–	339,859	296,628
Accrued salaries, wages, and employee benefits	147,560	33,025	–	180,585	146,527
Long-term debt, current portion	333,565	–	–	333,565	14,560
Right-of-use finance leases, current portion	2,072	3,559	–	5,631	9,106
Right-of-use operating leases, current portion	20,972	3,996	–	24,968	22,431
Short-term borrowings	250,000	–	–	250,000	123,408
Contract liabilities	27,267	4,863	–	32,130	20,956
Due to third-party payors	45,180	3,725	–	48,905	6,939
Due to affiliates	33,431	960,471	(993,902)	–	–
Total current liabilities	1,224,763	1,098,458	(993,902)	1,329,319	790,468
Long-term debt, net of current portion	2,179,745	–	–	2,179,745	2,515,673
Right-of-use finance leases, net of current portion	3,856	32,369	–	36,225	41,877
Right-of-use operating leases, net of current portion	163,924	11,667	–	175,591	156,566
Annuity and split-interest agreement obligations	36,955	–	–	36,955	33,053
Interest rate swaps	1,896	–	–	1,896	–
Other	98,944	9,936	–	108,880	79,232
Total liabilities	3,710,083	1,152,430	(993,902)	3,868,611	3,616,869
Net assets:					
Without donor restrictions:					
Controlling interests	4,242,007	(416,559)	(177,313)	3,648,135	3,348,825
Noncontrolling interests	–	25,572	–	25,572	27,138
With donor restrictions	1,301,373	28,196	–	1,329,569	1,128,613
Total net assets	5,543,380	(362,791)	(177,313)	5,003,276	4,504,576
Total liabilities and net assets	\$ 9,253,463	\$ 789,639	\$ (1,171,215)	\$ 8,871,887	\$ 8,121,445

City of Hope

Consolidating Statements of Activities (In Thousands)

Years Ended September 30, 2024 and 2023

	Obligated Group	Affiliated Group	Eliminating Entries	Consolidated 2024	Consolidated 2023
Revenues, gains, and other support:					
Net patient service revenues	\$ 3,324,772	\$ 831,620	\$ –	\$ 4,156,392	\$ 3,706,923
Research grants, contracts, and clinical trials	217,499	60,461	(1,407)	276,553	236,317
Contributions	296,776	17,033	–	313,809	293,929
Investment income	249,699	3,954	–	253,653	210,012
Net unrealized gain on investments	392,310	3,777	–	396,087	237,086
Other revenue	106,431	66,796	(31,022)	142,205	113,005
Total revenues, gains, and other support	<u>4,587,487</u>	<u>983,641</u>	<u>(32,429)</u>	<u>5,538,699</u>	<u>4,797,272</u>
Expenses:					
Salaries, wages, and employee benefits	1,365,888	444,850	(40)	1,810,698	1,611,198
Purchased services and professional fees	651,011	108,152	(22,536)	736,627	776,361
Supplies and pharmaceuticals	1,339,588	420,108	–	1,759,696	1,475,937
Interest, including changes in fair value of swap agreements	138,388	16,539	(13,030)	141,897	109,054
Depreciation and amortization	161,179	55,843	–	217,022	219,437
Hospital provider fee	35,083	15,638	–	50,721	48,921
Equipment rental and maintenance	35,354	50,617	–	85,971	82,789
Occupancy	62,532	12,153	–	74,685	72,146
Insurance	6,668	8,929	–	15,597	11,185
Other expense	94,290	56,697	(1,407)	149,580	149,094
Total expenses	<u>3,889,981</u>	<u>1,189,526</u>	<u>(37,013)</u>	<u>5,042,494</u>	<u>4,556,122</u>
Changes in net assets before other changes	697,506	(205,885)	4,584	496,205	241,150
Distribution to noncontrolling interest	–	–	–	–	(1,272)
Contribution from noncontrolling interest	–	2,495	–	2,495	1,333
Contributed capital to affiliate	–	30,001	(30,001)	–	–
Changes in net assets	697,506	(173,389)	(25,417)	498,700	241,211
Net assets, beginning of year	<u>4,845,874</u>	<u>(189,402)</u>	<u>(151,896)</u>	<u>4,504,576</u>	<u>4,263,365</u>
Net assets, end of year	<u>\$ 5,543,380</u>	<u>\$ (362,791)</u>	<u>\$ (177,313)</u>	<u>\$ 5,003,276</u>	<u>\$ 4,504,576</u>

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